

DIVISION OF ACCOUNTS AND REPORTS POLICY AND PROCEDURE MANUAL

Revision Date 03/09/04

Filing Number 8,001

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SUBJECT

Management of Receivables

PURPOSE

This filing establishes policies and procedures for all state agencies in the management and collection of receivables. For clarity, these policies and procedures have been separated into three sections: (I) Accounting for Receivables - defines and classifies receivables; (II) Agency Procedures - pertains to procedures for collecting delinquent accounts, obtaining approval to write off accounts, assigning accounts approved for write-off to the Director of Accounts and Reports, and reporting receivable balances and transactions; and (III) Terminology - defines important terms used in this filing.

AUTHORITATIVE REFERENCE

The policies and procedures contained herein are in accordance with the following Kansas Statutes Annotated (K.S.A.).

K.S.A. 75-3707

K.S.A. 75-3728a-d and j

GENERAL INFORMATION

I. Accounting for Receivables

- A. *General:* In general, the term "receivables" includes all claims held against others for future receipts of monies, goods and services. In accounting, however, this term is used in a more restrictive sense to indicate claims which have been billed and are expected to be collected in monies. The term "receivables," as used in this filing, includes taxes receivable, amounts due from the federal government, from political subdivisions, from other funds, from other agencies, and such other amounts which come due as a result of regular business transactions.
- B. *Taxes Receivable:* Taxes are not considered as receivables until a determination is made that the tax is actually due, but has not yet been paid. Therefore, under the classification of "Taxes Receivable" the following may be found:

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1. Taxes under litigation, pending court decision.
2. Amounts erroneously underpaid by taxpayers that are expected to be collected.
3. Amounts reported due from the taxpayer, but not yet paid. In all of the instances cited above, documentation of the receivables must be available before the transaction can be entered in the agency's books of accounts.

C. *Amounts Due from Other Governmental Units:* Amounts due from the federal government are to be set up on the books of the receiving agency as receivables if either of the following conditions are met:

1. The State of Kansas has incurred expenditures which qualify for reimbursement from the federal government.
2. The State of Kansas has expended funds to finance a project which, either by law or by contractual agreement, is to be financed on a matching basis by federal and state funds.

Outright grants, since they do not meet these conditions, cannot be properly categorized as receivables.

Amounts due from other political subdivisions to be set up on the books of the receiving agency as receivables include:

1. The State's share of taxes collected by its political subdivisions.
2. Loans.
3. Charges for services rendered or goods sold.

D. *Loans Receivable:* Amounts which have been loaned to persons or organizations, including notes taken as security for such loans.

E. *Due From Other Funds:* Amounts owed to a particular fund by another fund in the same governmental unit for goods sold or services rendered. This includes only short-term obligations on open account and not long-term loans.

F. *Miscellaneous/Other Receivables:* Receivables arising from transactions other than those outlined in the preceding paragraphs may be classified under the general category of "other receivables." Such receivables may include items such as overpayments by an agency subject to refund, interest and penalties assessed against an individual or a corporation, and any of the receivables which may arise during an agency's course of operations.

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II. Agency Procedures:

A. *Minimum Collection Procedures:* It is the responsibility of each state agency to collect amounts owed to the State in the most effective and efficient manner. Unless the Director of Accounts and Reports approves an agency's alternative collection procedure, all state agencies will adhere to the following basic procedures relating to collection of past due accounts. These procedures are considered minimum efforts. Certain state agencies may find it necessary to expand these general procedures to fit their particular circumstances.

1. All accounts which are more than 30 days past due must be subjected to collection procedures.
2. A record must be kept for each action taken to collect an account, the name of the person taking the action, and the date the action was taken. This documentary evidence of collection efforts must be available at the agency to support classifying an account as uncollectible.
3. At least three documented efforts should be made to collect all delinquent accounts over \$25. Accounts \$25 and under require only one documented attempt.
4. When an account becomes 60 days past due, further credit should be denied until the account is returned to a current status.
5. As authorized by K.S.A. 75-6201 *et seq.*, the State's right to set off debts owed the State against state payments due such debtors should be utilized. Please refer to filing No. 8002 for information about the Setoff Program.
6. If an uncollectible account arises from a bad check for purchase of a license, such license should not be issued or if it has already been issued, it should be revoked or suspended.
7. Deferred payment terms should be extended on a limited basis, only upon determining that the debtor is unable to pay the balance in full. Terms should not extend beyond six months. However, terms can be extended for a few months more where large balances are concerned and payment of such balances within six months would create a hardship.
8. When other statutes address the agency's collection procedures, those procedures should be followed.

B. *Write-off Request Procedures:* An agency must apply to the Director of Accounts and Reports for authority to write off a receivable when the following criteria are met:

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1. A valid receivable does exist, i.e., there are no unsettled differences between the agency and the debtor as to the validity of the charges to the account.

Note: Do not submit amounts resulting from billing errors (e.g., charges for services not rendered) or medical insurance adjustments (e.g., noncovered Medicare charges). State agencies may make the appropriate accounting entries to remove these items from their accounts without applying to the Director of Accounts and Reports.

2. The receivable is past due (having missed a scheduled payment). The length of time past due may vary by the type of the receivable.
3. The agency has complied with the "Minimum Collection Procedure" section, without success, and has determined that the receivable is uncollectible.

As soon as the criteria noted above are met, the agency should prepare the request in two copies; the original to be forwarded to the Director of Accounts and Reports for approval to write off the receivable, and the copy to be retained in the agency. The request should include the following:

1. The number of accounts to be written off.
2. The total dollar amount of such accounts.
3. For each account, list the debtor's name, social security number or federal employer identification number, amount, and a brief statement of the reason or basis for determining the account uncollectible. In lieu of said brief statement, the agency may use a numerical write-off code.

Note: Agencies should make sure that the statement or write-off code clearly identifies debts that have been discharged in bankruptcy.

4. A statement by the responsible individual that in his or her opinion the accounts are uncollectible and that this request is submitted in accordance with K.S.A. 75-3728a-d and these policies and procedures.
5. The signature of the agency head which certifies his or her approval of the request.

The agency should retain the receivables on its record pending notification of approval from the Division of Accounts and Reports. Upon receiving such notification, the agency should promptly remove the receivable from its records. All accounts receivable and taxes receivable written off by the state agency as described above are thereby assigned to the Director of Accounts and Reports for collection. The state

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agency must maintain all information relating to the receivables which were written off. Officers and employees of the state agency may be required by the Director to participate in, and provide documentation for, hearings or litigation regarding the collection of the receivables.

- # C. *Annual Reporting By Agencies - Form DA-32:* Form DA-32, "Accounts/Other Receivables" (see below for instructions and the attached sample form) should be used by each agency except the regent's institutions to report its fiscal year-end receivable transactions and balances to the Division of Accounts and Reports. The regent's institutions will report their receivable information on the Financial Information Reporting Form for the Comprehensive Annual Financial Report. The due date for the report will be the last working day in August and should be submitted to the Financial Reporting Team in the Accounting Services Section.

INSTRUCTIONS FOR PREPARING FORM DA-32, ACCOUNTS/ OTHER RECEIVABLES.

The steps required to complete form DA-32 are outlined below. The numbers below match the circled numbers on the following sample form. When reporting the receivables for your agency, we request that the receivables be summarized by fund, class codes, and source code.

1. The appropriate fiscal year.
2. The agency name.
3. The four digit fund number to which cash collections will be deposited.
4. The description of the revenue being reported as receivable. Abbreviate if necessary.
5. The appropriate two digit classification code of the receivable being reported for each fund. The available codes and their descriptions follow:
 - 10 - *Taxes Receivable* - This classification is the uncollected portion of taxes which has been levied and become due.
 - 20 - *Due from Other Governmental Units* - This classification includes amounts owed to your agency by another governmental unit e.g. cities, counties, federal government. These amounts include cost reimbursable federal grants, shared taxes, taxes collected by another unit, loans, and charges for goods sold or services rendered to another unit.
 - 30 - *Loans Receivable* - This classification includes amounts which have been loaned to persons or organizations, including notes taken for security for such loans. An example would be loans to students at the state universities.

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- 40 - *Due From Other Funds* - Amounts owed to a particular fund by another fund in the same governmental unit for goods sold or services rendered. This includes only short-term obligations on open account and not long-term loans.
- 50 - *Miscellaneous/Other Receivables* - This classification includes all other receivables which do not fit any of the other classifications listed above. This includes amounts owed to the agency on open account from private persons, firms, and corporations for goods sold or services rendered.
6. The four digit source code which best identifies the source of revenue to be realized when the receivable is collected.
7. The total amount of the outstanding accounts at the beginning of the current fiscal year. This figure must agree with the ending amount for the previous fiscal year.
8. The total amount of new charges recorded on account during the current fiscal year.
9. The total collections received on account during the current fiscal year.
10. The total amount of abatements during the current fiscal year.
11. The total amount of charges compromised during the current fiscal year.
12. The net total of all other adjustments made affecting the receivable balance during the current fiscal year, e.g., credit memos, Medicaid charges recovered through the state appropriation process (state hospitals only). If the net total of adjustments is negative, enclose the amount in brackets.
13. The total amount of uncollectible accounts written off during the current fiscal year. This includes only those accounts approved by the Division of Accounts and Reports.
14. The total amount of the outstanding accounts at the end of the current fiscal year. For state hospitals, if total amount includes Medicaid receivables, a footnote is required containing the following information:
- a. The total amount of Medicaid receivables.
 - b. The State's portion of Medicaid receivables in terms of percentage and dollar amounts.
15. The total amount of outstanding charges recorded in the accounts but not yet billed, e.g., that portion of student loans which is not yet in a repayment status.

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16 - 22. The aging of the total billed charges outstanding.

23. The total receivables balance aged. This amount should equal the amount on line 14.

24. The estimated dollar amount of the ending balance on line 14 that will ultimately prove uncollectible. The documentation supporting this estimate should be maintained at the agency and be available upon request

25. The agency or department head affixes his or her signature here which certifies the accuracy of the report.

26. The title of the individual signing this report.

27. The transmittal date of this form to the Division of Accounts and Reports.

III. Terminology

ABATEMENT: A complete or partial cancellation of a levy imposed by a government. Abatements usually apply to tax levies, special assessments, and service charges.

AGING OF RECEIVABLES: Classifying the account balances of all receivables by the amount not yet due or past due by varying lengths of time.

ALLOWANCE FOR ESTIMATED UNCOLLECTIBLE: A valuation account used to indicate the portion of a receivable which it is estimated will never be collected.

COMPROMISE: The statutory authority granted certain state agencies to negotiate a settlement of a debt between the debtor and the agency.

CURRENT ACCOUNT: An account which is within stated terms and has not become past due.

PAST DUE (DELINQUENT) ACCOUNT: An account in which one or more scheduled payments have not been made.

WRITE-OFF: Accounting procedure for removing uncollectible charges from receivable balances.

[Sample DA-32](#)

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CONTACT SOURCES

Questions regarding write off requests should be directed to:

Division of Accounts and Reports
Administration Section
Accounts Receivable Setoff Program

Questions regarding the preparation of From DA-32 should be directed to:

Division of Accounts and Reports
Accounting Services Section
Financial Reporting Team